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SUBJECT: Codel Kolbe Advances U.S. Interests

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11. (U) SUMMARY: During a September 1-3 visit, Codel Kolbe examined U.S. assistance programs in Mongolia, with a particular focus on the proposed Millennium Challenge Account (MCA) program. The Codel stressed that qualifying for MCA is not enough, and that Mongolia will need to take the time and effort to put together a good proposal. They urged enhanced anti-corruption efforts. In meetings with Mongolia's senior leaders, they also urged that Mongolia's 7th rotation of troops to Iraq be consistent with the size of the current rotation. END SUMMARY.

Meetings with Political Leadership

2.(SBU) Chairman Kolbe, Rep. Baird and Rep. Crenshaw met separately with President Enkhbayar, Speaker Nyamdorj, and Prime Minister Enkhbold. The Codel also was briefed on USAID projects, and had meetings with U.S. businessmen and Peace Corps volunteers.

13. (SBU) MCA: In all three meetings with Mongolia's political leadership, the Mongolians expressed disappointment that "after three years, Mongolia still has not received MCA funding." Chairman Kolbe praised Mongolia for remaining eligible for funding for three consecutive years and explained that being eligible does not mean that funding will automatically follow. He emphasized that every country must re-qualify every year by performing above the median on a series of tough, objective criteria. The criteria were selected after careful study of available international surveys and, while not perfect, were the best available. He explained that funding is not automatic: eligible countries must submit and negotiate a proposal that will satisfy the MCC, the U.S. Congress -- and ultimately the American taxpayer. MCA is unique in its goal and procedures; it is intended to be transformational. In Mongolia's case, Mongolia did not submit a proposal until October 2005 and the proposal is complex and requires considerable refinement during the due diligence phase. The proposed projects must reduce poverty and be financially sustainable. He recognized that lack of capacity on the Mongolian side is a problem, but noted that negotiating a compact takes time. It is better to do it right than do it quickly. He encouraged Mongolia to invest in its proposal and promised to discuss with MCC CEO Danilovich how to ensure that sufficient resources have been devoted to enabling Mongolia to refine its proposal. Representative Baird observed that many Americans question the wisdom and utility of U.S. foreign aid programs in general. In order to defend MCA to domestic critics, the USG must be able to demonstrate that the money is being used wisely and is not corrupted or diverted.

14. (SBU) FTA: In all three meetings, the Mongolian interlocutors urged that U.S. to conclude a Free Trade Agreement (FTA) with

Mongolia and noted with satisfaction parallel non-binding "sense of congress" resolutions being developed in both the House and the Senate, urging the Administration to enter into an FTA with Mongolia. Chairman Kolbe noted that as an "ardent free trader" he generally supports FTAs, but only the President can negotiate these.

In the case of Mongolia, the U.S. reluctance to proceed stems not just from the fact that the two-way trade volume is small and there are other, higher country priorities. It also stems from the fact that Mongolia has to do its homework. Representative Baird noted that certain benchmarks (laws and regimes) must first be in place before the U.S. Congress will approve an FTA: e.g., protection for labor; protection for the environment, and IPR protection.

15. (SBU) OIF: In all his meetings, Chairman Kolbe urged Mongolian decision-makers to remain committed to Operation Iraqi Freedom (OIF) and to send a 7th rotation that is equal in number to the current deployment. He underscored that Mongolia's participation is more than just symbolic; Mongolian peacekeepers perform a vital, strategic role in protecting the Polish Command headquarters at Camp Echo. He noted that he had met with Mongolian veterans of OIF and was impressed with the enthusiasm and pride they conveyed.

Anti-corruption

16. (SBU) President Enkhbayar raised the issue of corruption of Mongolia and the need to fight it. He noted that the first-ever anti-corruption law had been passed in July. But, he said, passing the law was the easy part; effective implementation will be the challenge. He stated that in order to fight corruption, other laws need to be amended as well, beginning with civil service reform. "The civil service today is a political patronage system. Ministers hire their friends and family. They are serving not the interests of the nation, but their own private interests." The first step will be to take politics out of the civil service by requiring all civil servants to be apolitical and renounce political party membership. Enkhbayar also noted with some irony that the MPRP-proposed windfall profit tax on gold is resulting in corruption: gold miners are either hoarding or smuggling the gold out of the country to avoid the tax, with the result that the central bank (Bank of Mongolia) is concerned about the precipitous drop in the amount of gold being sold to the bank.

17. (U) The Ambassador hosted a luncheon with four Members of Parliament, including Munh-Orgil (MPRP and head of Legal Standing Committee), Idevhten (MPRP Caucus leader), Dondog (MPRP and head of State Structure Standing Committee), and Gonchigdorj (Democratic Party and head of the Foreign Affairs and Defense Standing Committee). Discussions focused on the ongoing Millennium Challenge Account (MCA) negotiations and the lack of progress to reach a final agreement on a compact. Munh-Orgil engaged in a particularly frank discussion with the Codel on his frustration with what he sees as the United States' "preoccupation with corruption." He agreed that politicization of the civil service is a problem which helps produce corruption, but said that low salaries also are a key factor. The Codel responded that the GOM needs to combat corruption in a systematic way before an MCA compact can be reached and reiterated the U.S. position that due to the unique nature of the MCA that both sides need to work closely together to agree on a final package.

Review of Mongolia's MCA Proposal

18. (SBU) Codel Kolbe discussed the Mongolian MCA proposals in detail with key officials of the Mongolian MCA National Council, including State Secretary for Finance Khurelbaatar, MCA National Council Secretary General Enkhtuya, and representatives for the Mongolian

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working groups on health, vocational education, information technology, and railroad projects. The Codel visited two potential MCA project sites: the diagnostic center at the National Cancer Center and a vocational school.

Peacekeeping

19. (U) The Codel met with LTG Togoo, Chief of Staff of the Mongolian

Armed Forces. The meeting focused on FMF and IMET while LTG Togoo spoke on Mongolian Armed Forces (MAF) peacekeeping capabilities and goals. Togoo stressed how money from the Global Peace Operations Support Initiative (GPOI) plays a big part in preparing the MAF to participate in UN missions and hope GPOI funding will not decrease in the future. LTG Togoo cited the recent GPOI-supported peacekeeping exercise, Khaan Quest 2006, as a noteworthy success story. The Codel also met with 20 Mongolian soldiers who had deployed to OIF, OEF, Kosovo, or Sierra Leone. When the CODEL asked the soldiers if they volunteered for these missions, all answered affirmatively and emphasized that their deployments "provided a good training opportunity."

Public Diplomacy

¶10. (U) Eagle TV, the top-rated TV news source in Mongolia, interviewed Chairman Kolbe and ran the 30-minute interview in its entirety and rebroadcast it several times on Sunday, September 3. Rep. Kolbe discussed the MCA process, and thanked Mongolia for its contributions in Iraq and Afghanistan, highlighting how these contributions serve Mongolia's national interests. In addition, Chairman Kolbe answered questions on U.S. visas and the immigration reform debate.

¶11. (U) The Codel did not have an opportunity to clear this cable before departing.

Goldbeck